

by the contractor during the cost accounting period to construct, fabricate, or develop the capital asset.

**1830.7002-2 Cost of money calculations.**

(a) The interest rate referenced in 1830.7002-1(a)(1) is established semi-annually and published in the FEDERAL REGISTER during the fourth week of December and June.

(b) To calculate the time-weighted average interest rate referenced in 1830.7002-1(a)(2), multiply the rates in effect during the months of construction by the number of months each rate was in effect, and then divide the sum of the products by the total number of months.

**1830.7002-3 Representative investment calculations.**

(a) The calculation of the representative investment requires consideration of the rate or expenditure pattern of the costs to construct, fabricate, or develop a capital asset.

(b) If the majority of the costs were incurred toward the beginning, middle, or end of the cost accounting period, the contractor shall either:

(1) Determine a representative investment for the cost accounting period by calculating the average of the month-end balances for that cost accounting period; or

(2) Treat month-end balances as individual representative investments.

(c) If the costs were incurred in a fairly uniform expenditure pattern throughout the construction, fabrication, or development period, the contractor may either:

(1) Determine a representative investment for the cost accounting period by averaging the beginning and ending balances of the construction, fabrication, or development cost account for the cost accounting period; or

(2) Treat month-end balances as individual representative investments.

(d) The method chosen by the contractor to determine the representative investment amount may be different for each capital asset being constructed, fabricated, or developed, provided the method fits the expenditure pattern of the costs incurred.

**1830.7002-4 Determining imputed cost of money.**

(a) Determine the imputed cost of money for an asset under construction, fabrication, or development by applying a cost of money rate (see 1830.7002-2) to the representative investment (see 1830.7002-3).

(1) When a representative investment is determined for a cost accounting period in accordance with 1830.7002-3(b)(1) or 1830.7002-3(c)(1), the cost of money rate shall be the time-weighted average rate.

(2) When a monthly representative investment is used in accordance with 1830.7002-3(b)(2) or 1830.7002-3(c)(2), the cost of money rate shall be that in effect each month. Under this method, the FCCOM is determined monthly, and the total for the cost accounting period is the sum of the monthly calculations.

(b) The imputed cost of money will be capitalized only once in any cost accounting period, either at the end of the accounting period or the end of the construction, fabrication, or development period, whichever comes first.

(c) When the construction, fabrication, or development of an asset takes more than one accounting period, the cost of money capitalized for the first accounting period will be included in determining the representative investment for any future cost accounting periods.

**PART 1831—CONTRACT COST PRINCIPLES AND PROCEDURES**

**Subpart 1831.2—Contracts With Commercial Organizations**

Sec.

1831.205 Selected costs.

1831.205-32 Precontract costs.

1831.205-70 Contract clause.

1831.205-670 Evaluation of contractor and subcontractor compensation for service contracts.

1831.205-671 Solicitation provision.

AUTHORITY: 42 U.S.C. 2473(c)(1).

SOURCE: 61 FR 55768, Oct. 29, 1996, unless otherwise noted.

### Subpart 1831.2—Contracts with Commercial Organizations

#### 1831.205 Selected costs.

##### 1831.205-32 Precontract costs.

(1) Precontract costs are applicable only to sole source awards, except those resulting in firm-fixed price or fixed-price with economic price adjustment contracts.

(2) The procurement officer is the approval authority for the use of precontract costs. Authorization shall be in writing and shall address the following:

(i) The necessity for the contractor to initiate work prior to contract award;

(ii) The start date of such contractor effort;

(iii) The total estimated time of the advanced effort; and

(iv) The cost limitation.

(3) Authorization to incur precontract costs shall be provided to the contractor in writing and shall include the following:

(i) The start date for incurrence of such costs;

(ii) The limitation on the total amount of precontract costs which may be incurred;

(iii) A statement that the costs are allowable only to the extent they would have been if incurred after formal contract award; and

(iv) A statement that the Government is under no obligation to reimburse the contractor for any costs unless a contract is awarded.

##### 1831.205-70 Contract clause.

The contracting officer shall insert the clause at 1852.231-70, Precontract Costs, in contracts for which specific coverage of precontract costs is authorized under 1831.205-32.

##### 1831.205-670 Evaluation of contractor and subcontractor compensation for service contracts.

(a) The contracting officer shall evaluate the reasonableness of compensation for service contracts:

(1) Prior to the award of a cost reimbursement or non-competitive fixed-price type contract which has a total

potential value in excess of \$500,000, and

(2) Periodically after award for cost reimbursement contracts, but at least every three years.

(b) The contracting officer shall ensure the reasonableness of compensation is evaluated for cost reimbursement or non-competitive fixed-price type service subcontracts under a prime contract meeting the criteria in paragraph (a)(1) of this section where:

(1) The subcontract has a total potential value in excess of \$500,000; and

(2) The cumulative value of all of a subcontractor's service subcontracts under the prime contract is in excess of 10 percent of the prime contract's total potential value.

(c)(1) Offerors shall be required to submit as part of their proposals a compensation plan addressing all proposed labor categories. Offerors also shall demonstrate in writing that their proposed compensation is reasonable.

(2) Subcontractors meeting the criteria in paragraph (b) of this section shall be required to comply with paragraph (c)(1).

(d) The contracting officer's preaward evaluation of each offeror's and their subcontractors' compensation should be done as part of, or in addition to DCAA audits, price analyses, or any other means deemed to be necessary.

(e) The results of the contracting officer's evaluation, including any excessive compensation found and its planned resolution, shall be addressed in the prenegotiation position memorandum, with the final resolution discussed in the price negotiation memorandum.

(f) The contracting officer shall ensure that the reasonableness of compensation for cost reimbursement subcontracts meeting the criteria in paragraphs (b) (1) and (2) of this section is periodically reviewed after award, but at least every three years.

(g) The results of the periodic evaluations of contractor and subcontractor compensation after contract award shall be documented in the contract file.

[62 FR 4467, Jan. 30, 1997]

1831.205-671

**1831.205-671 Solicitation provision.**

The contracting officer shall insert a provision substantially the same as the provision at 1852.231-71, Determination of Compensation, in solicitations for services which contemplate the award of a cost reimbursement or non-competitive fixed-price type service contract having a total potential value in excess of \$500,000.

[62 FR 4467, Jan. 30, 1997]

**PART 1832—CONTRACT FINANCING**

Sec.

1832.006-2 Definitions.

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1832.111 Contract clauses for non-commercial purchases.

1832.111-70 NASA contract clause.

**Subpart 1832.2—Commercial Item Purchase Financing**

1832.202-1 Policy.

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1832.409-1 Recommendation for approval.

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**Subpart 1832.5—Progress Payments Based on Costs**

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1832.501-1 Customary progress payment rates.

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1832.502-4 Contract clauses.

1832.502-470 NASA contract clause.

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1832.702 Policy.

1832.702-70 NASA policy.

1832.704 Limitation of cost or funds.

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1832.704-70 Incrementally funded fixed-price contracts.

1832.705 Contract clauses.

1832.705-2 Clauses for limitation of cost or funds.

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**Subpart 1832.9—Prompt Payment**

1832.906 Contract financing payments.

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1832.970 Payments to Canadian Commercial Corporation.

**Subpart 1832.10—Performance-Based Payments**

1832.1004 Procedures.

1832.1005 Contract clauses.

1832.1006 Agency approvals.

1832.1009 Title.

AUTHORITY: 42 U.S.C. 2473(c)(1).

SOURCE: 61 FR 55768, Oct. 29, 1996, unless otherwise noted.

**1832.006-2 Definitions.**

The Associate Administrator for Procurement is the Agency remedy coordination official.

**Subpart 1832.1—Non-Commercial Item Purchase Financing**

**1832.111 Contract clauses for non-commercial purchases.**

**1832.111-70 NASA contract clause.**

The contracting officer shall insert the clause at 1852.232-79, Payment for On-Site Preparatory Costs, in solicitations and contracts for construction on a fixed-price basis when progress payments are contemplated and pro rata payment of on-site preparatory costs to the contractor is appropriate.

**Subpart 1832.2—Commercial Item Purchase Financing**

**1832.202-1 Policy. (NASA supplements paragraph (b))**

(b)(6) Advance payment limitations do not apply to expendable launch vehicle (ELV) service contracts. (see 1832.402).